

# House File 729 - Reprinted

HOUSE FILE \_\_\_\_\_  
BY COMMITTEE ON STATE GOVERNMENT  
(SUCCESSOR TO HSB 166)

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act relating to the Iowa public employees' retirement system  
2 and the judicial retirement system.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
4 TLSB 1330HV 81  
5 ec/gg/14

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1 1 DIVISION I  
1 2 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)  
1 3 Section 1. Section 97B.11, Code 2005, is amended to read  
1 4 as follows:  
1 5 97B.11 CONTRIBUTIONS BY EMPLOYER AND EMPLOYEE.  
1 6 1. Each employer shall deduct from the wages of each  
1 7 member of the retirement system a contribution in the amount  
1 8 of ~~three and seven-tenths percent the applicable employee~~  
1 9 ~~percentage~~ of the covered wages paid by the employer, until  
1 10 the member's termination from employment. The contributions  
1 11 of the employer shall be in the amount of ~~five and seventy-~~  
1 12 ~~five hundredths percent the applicable employer percentage of~~  
1 13 the covered wages of the member.  
1 14 2. ~~For purposes of this section, unless the context~~  
1 15 ~~otherwise requires:~~  
1 16 a. ~~"Applicable employee percentage" means the percentage~~  
1 17 ~~rate equal to three and seven-tenths percent plus forty~~  
1 18 ~~percent of the total additional percentage.~~  
1 19 b. ~~"Applicable employer percentage" means the percentage~~  
1 20 ~~rate equal to five and seventy-five hundredths percent plus~~  
1 21 ~~sixty percent of the total additional percentage.~~  
1 22 c. ~~"Total additional percentage" means as follows:~~  
1 23 (1) ~~For the fiscal period beginning July 1, 2006, through~~  
1 24 ~~June 30, 2014, the total additional percentage for a fiscal~~  
1 25 ~~year shall be the total additional percentage for the prior~~  
1 26 ~~fiscal year plus, only if the total comparison percentage is~~  
1 27 ~~greater than the total of the applicable employee percentage~~  
1 28 ~~and the applicable employer percentage for the prior fiscal~~  
1 29 ~~year, one-half percentage point.~~  
1 30 (2) ~~For each fiscal year beginning on or after July 1,~~  
1 31 ~~2014, the total additional percentage shall be the total~~  
1 32 ~~additional percentage for the prior fiscal year.~~  
1 33 d. ~~"Total comparison percentage" means the percentage rate~~  
1 34 ~~that the system determines, based upon the most recent~~  
1 35 ~~actuarial valuation of the retirement system, would be~~  
2 1 ~~sufficient to amortize the unfunded actuarial liability of the~~  
2 2 ~~retirement system in ten years.~~  
2 3 Sec. 2. Section 97B.49C, subsection 3, paragraph a, Code  
2 4 2005, is amended to read as follows:  
2 5 a. Annually, the system shall actuarially determine the  
2 6 cost of the benefits provided for members covered under this  
2 7 section as a percentage of the covered wages of the employees  
2 8 covered by this section. ~~Fifty Notwithstanding any provision~~  
2 9 ~~of section 97B.11 to the contrary, fifty percent of the cost~~  
2 10 ~~shall be paid by the employers of employees covered under this~~  
2 11 ~~section and fifty percent of the cost shall be paid by the~~  
2 12 ~~employees. The employer and employee contributions required~~  
2 13 ~~under this paragraph are in lieu of the shall be treated as~~  
2 14 ~~contributions paid under sections 97B.11 and 97B.11A.~~  
2 15 Sec. 3. Section 97B.50A, subsection 12, Code 2005, is  
2 16 amended to read as follows:  
2 17 12. ~~ADDITIONAL~~ CONTRIBUTIONS. The expenses incurred in  
2 18 the administration of this section by the system shall be paid

2 19 through additional contributions as determined pursuant to  
2 20 section 97B.49B, subsection 3, or section 97B.49C, subsection  
2 21 3, as applicable.  
2 22 Sec. 4. PUBLIC RETIREMENT SYSTEMS COMMITTEE == PENSION  
2 23 FLEXIBILITY REVIEW == REPORT.  
2 24 1. The public retirement systems committee (committee)  
2 25 established by section 97D.4 shall conduct a review of various  
2 26 options to provide persons covered under the Iowa public  
2 27 employees' retirement system (IPERS) additional flexibility in  
2 28 plan design with features incorporating aspects of defined  
2 29 contribution type vehicles. In conducting its review, the  
2 30 committee shall consider previous studies and reports on  
2 31 pension flexibility issues in Iowa and across the country, and  
2 32 shall solicit input on pension flexibility issues from IPERS  
2 33 staff, the IPERS benefits advisory committee, and other  
2 34 interested parties.

2 35 2. The committee's review of pension flexibility issues  
3 1 shall consider, among other ideas, the following:  
3 2 a. Ways in which IPERS can assist employers in expanding  
3 3 existing supplemental plans offered by public employers.  
3 4 b. Ways in which IPERS could offer its own defined  
3 5 contribution type supplementary plan vehicle to complement its  
3 6 core defined benefit plan.  
3 7 c. Ways in which IPERS could provide a cost of living or  
3 8 favorable experience dividend benefit to members through  
3 9 either defined contribution or alternative defined benefit  
3 10 type plans.  
3 11 d. Various hybrid plan designs incorporating features of  
3 12 both defined benefit and defined contribution plan vehicles,  
3 13 including, but not limited to, an integrated defined benefit  
3 14 and defined contribution plan, a floor=offset plan, or a  
3 15 pension equity plan.

3 16 3. The committee shall submit a report to the general  
3 17 assembly by January 1, 2006, which report shall contain, in  
3 18 addition to any other findings and recommendations concerning  
3 19 public retirement systems in Iowa, its findings and  
3 20 recommendations concerning its review of pension flexibility  
3 21 issues, including any proposal or proposals regarding adding  
3 22 additional flexibility in IPERS' plan design for the benefit  
3 23 of IPERS covered employees and employers.

#### 3 24 DIVISION II

#### 3 25 JUDICIAL RETIREMENT SYSTEM

3 26 Sec. 5. Section 602.9104, Code 2005, is amended to read as  
3 27 follows:

3 28 602.9104 DEDUCTIONS FROM JUDGES' SALARIES == CONTRIBUTIONS  
3 29 BY STATE.

3 30 1. a. A judge to whom this article applies shall be paid  
3 31 an amount equal to ~~ninety-five percent of~~ the basic salary of  
3 32 the judge as set by the general assembly. ~~An reduced by an~~  
3 33 amount equal to five percent of the basic salary of the judge  
~~3 34 as set by the general assembly is designated as the judge's~~  
3 35 required contribution to the judicial retirement fund, and,  
4 1 The amount designated as the judge's required contribution  
4 2 shall be paid by the state in the manner provided in  
4 3 subsection 2.

4 4 b. The state shall contribute annually to the judicial  
4 5 retirement fund an amount equal to the state's required  
4 6 contribution for all judges covered under this article. The  
4 7 state's required contribution shall be appropriated directly  
4 8 to the judicial retirement fund by the general assembly.

4 9 2. The amount designated in ~~subsection 1~~ as the judge's  
4 10 required contribution to the judicial retirement fund shall be  
4 11 paid by the department of administrative services from the  
4 12 general fund of the state to the court administrator for  
4 13 deposit with the treasurer of state to the credit of the  
4 14 judicial retirement fund. Moneys in the fund are appropriated  
4 15 for the payment of annuities, refunds, and allowances provided  
4 16 by this article, except that the amount of the appropriations  
4 17 affecting payment of annuities, refunds, and allowances to  
4 18 judges of the municipal and superior court is limited to that  
4 19 part of the fund accumulated for their benefit as provided in  
4 20 this article. The corpus and income of the fund shall be used  
4 21 only for the exclusive benefit of the judges covered under  
4 22 this article, their survivors, or an alternate payee who is  
4 23 assigned benefits pursuant to a domestic relations order.

4 24 3. A judge covered under this article is deemed to consent  
4 25 to the reduction in basic salary as provided in subsection 1.

4 26 4. ~~a.~~ As used in this ~~subsection~~ section, unless the  
4 27 context otherwise requires:

4 28 ~~(1)~~ a. "Actuarial valuation" means an actuarial valuation  
4 29 of the judicial retirement system or an annual actuarial

4 30 update of an actuarial valuation, as required pursuant to  
4 31 section 602.9116.  
4 32 (2) ~~b.~~ "Fully funded status" means that the most recent  
4 33 actuarial valuation reflects that, using the projected unit  
4 34 credit method in accordance with generally recognized and  
4 35 accepted actuarial principles and practices set forth by the  
5 1 American academy of actuaries, the funded status of the system  
5 2 is at least ~~one hundred ninety~~ percent, based upon the  
5 3 benefits provided for judges through the judicial retirement  
5 4 system as of July 1, 2005.

5 5 c. "Judge's required contribution" means an amount equal  
5 6 to the basic salary of the judge multiplied by the following  
5 7 applicable percentage:

5 8 (1) For the fiscal year beginning July 1, 2005, and for  
5 9 each subsequent fiscal year until the system attains fully  
5 10 funded status, six percent multiplied by a fraction equal to  
5 11 the actual percentage rate contributed by the state for that  
5 12 fiscal year divided by twenty-three and seven-tenths percent.

5 13 (2) Commencing with the first fiscal year in which the  
5 14 system attains fully funded status, and for each subsequent  
5 15 fiscal year, the percentage rate equal to fifty percent of the  
5 16 required contribution rate.

5 17 (3) ~~d.~~ "Required contribution rate" means that percentage  
5 18 of the basic salary of all judges covered under this article  
5 19 which, in addition to the judge's contribution established in  
5 20 ~~subsection 1,~~ the actuary of the system determines is  
5 21 necessary, using the projected unit credit method in  
5 22 accordance with generally recognized and accepted actuarial  
5 23 principles and practices set forth by the American academy of  
5 24 actuaries, to maintain fully funded status amortize the  
5 25 unfunded actuarial liability of the judicial retirement system  
5 26 within twenty years.

5 27 e. "State's required contribution" means an amount equal  
5 28 to the basic salary of all judges covered under this article  
5 29 multiplied by the following applicable percentage:

5 30 (1) For the fiscal year beginning July 1, 2005, and for  
5 31 each subsequent fiscal year until the system attains fully  
5 32 funded status, twenty-three and seven-tenths percent.

5 33 (2) Commencing with the first fiscal year in which the  
5 34 system attains fully funded status, and for each subsequent  
5 35 fiscal year, the percentage rate equal to fifty percent of the  
6 1 required contribution rate.

6 2 b. ~~Effective with the fiscal year commencing July 1, 1994,~~  
6 3 ~~and for each subsequent fiscal year until the system attains~~  
6 4 ~~fully funded status, based upon the benefits provided for~~  
6 5 ~~judges through the judicial retirement system as of July 1,~~  
6 6 ~~2001, the state shall contribute annually to the judicial~~  
6 7 ~~retirement fund an amount equal to at least twenty-three and~~  
6 8 ~~seven-tenths percent of the basic salary of all judges covered~~  
6 9 ~~under this article. Commencing with the first fiscal year in~~  
6 10 ~~which the system attains fully funded status, based upon the~~  
6 11 ~~benefits provided for judges through the judicial retirement~~  
6 12 ~~system as of July 1, 2001, and for each subsequent fiscal~~  
6 13 ~~year, the state shall contribute to the judicial retirement~~  
6 14 ~~fund the required contribution rate. The state's contribution~~  
6 15 ~~shall be appropriated directly to the judicial retirement~~  
6 16 ~~fund.~~

6 17 Sec. 6. Section 602.9106, Code 2005, is amended to read as  
6 18 follows:

6 19 602.9106 RETIREMENT.

6 20 Any person who shall have become separated from service as  
6 21 a judge of any of the courts included in this article and who  
6 22 has had an aggregate of at least ~~six~~ four years of service as  
6 23 a judge of one or more of such courts and shall have attained  
6 24 the age of sixty-five years or who has had ~~twenty-five~~ twenty  
6 25 years of consecutive service as a judge of one or more of said  
6 26 courts ~~and shall have attained the age of fifty years,~~ and who  
6 27 shall have otherwise qualified as provided in this article,  
6 28 shall be entitled to an annuity as hereinafter provided.

6 29 Sec. 7. Section 602.9107, subsection 1, paragraph a, Code  
6 30 2005, is amended to read as follows:

6 31 a. The annual annuity of a judge under this system is an  
6 32 amount equal to three ~~and one-fourth~~ percent of the judge's  
6 33 average annual basic salary for the judge's highest three  
6 34 years as a judge of one or more of the courts included in this  
6 35 article, multiplied by the judge's years of service as a judge  
7 1 of one or more of the courts for which contributions were made  
7 2 to the system. However, an annual annuity shall not exceed an  
7 3 amount equal to a specified percentage of the highest basic  
7 4 annual salary which the judge is receiving or had received as  
7 5 of the time the judge became separated from service.

7 6 Forfeitures shall not be used to increase the annuities a  
7 7 judge or survivor would otherwise receive under the system.

7 8 Sec. 8. Section 602.9107, subsection 1, paragraph b,  
7 9 subparagraph (4), Code 2005, is amended to read as follows:

7 10 (4) For judges who retire and receive an annuity on or  
7 11 after July 1, 2001, but before July 1, 2005, the specified  
7 12 percentage shall be sixty percent.

7 13 Sec. 9. Section 602.9107, subsection 1, paragraph b, Code  
7 14 2005, is amended by adding the following new subparagraph:

7 15 NEW SUBPARAGRAPH. (5) For judges who retire and receive  
7 16 an annuity on or after July 1, 2005, the specified percentage  
7 17 shall be sixty-five percent.

7 18 Sec. 10. Section 602.9107C, subsection 1, Code 2005, is  
7 19 amended to read as follows:

7 20 1. A judge under this system who has at least ~~six~~ four  
7 21 years of service as a judge of any of the courts included in  
7 22 this article and who was a member of the Iowa public  
7 23 employees' retirement system as provided in chapter 97B, but  
7 24 who was not retired under that system, upon submitting  
7 25 verification of membership and service in the Iowa public  
7 26 employees' retirement system to the court administrator,  
7 27 including proof that the judge has no further claim upon a  
7 28 retirement benefit from that public system, may make  
7 29 contributions as provided by this section to the system either  
7 30 for the entire period of service in the other public system,  
7 31 or for partial service in the other public system in  
7 32 increments of one or more calendar quarters, and receive  
7 33 credit for that service under the system.

7 34 Sec. 11. Section 602.9108, Code 2005, is amended to read  
7 35 as follows:

8 1 602.9108 INDIVIDUAL ACCOUNTS == REFUNDING.

8 2 The amount designated as the judge's contribution to the  
8 3 judicial retirement fund in section 602.9104, ~~subsection 1,~~  
8 4 and all amounts paid into the fund by a judge shall be  
8 5 credited to the individual account of the judge. If a judge  
8 6 covered under this article becomes separated from service as a  
8 7 judge before the judge completes an aggregate of ~~six~~ four  
8 8 years of service as a judge of one or more of the courts, the  
8 9 total amount in the judge's individual account shall be  
8 10 returned to the judge or the judge's legal representatives  
8 11 within one year of the separation. If a judge, who is covered  
8 12 under this article and who has completed an aggregate of ~~six~~  
8 13 four years or more of service as a judge of one or more of the  
8 14 courts, dies before retirement, without a survivor, the total  
8 15 amount in the judge's individual account shall be paid in one  
8 16 sum to the judge's legal representatives within one year of  
8 17 the judge's death. If an annuitant under this section dies  
8 18 without a survivor, and without having received in annuities  
8 19 an amount equal to the total amount in the judge's individual  
8 20 account at the time of separation from service, the amount  
8 21 remaining to the annuitant's credit shall be paid in one sum  
8 22 to the annuitant's legal representatives within one year of  
8 23 the annuitant's death.

8 24 Sec. 12. Section 602.9112, Code 2005, is amended to read  
8 25 as follows:

8 26 602.9112 VOLUNTARY RETIREMENT FOR DISABILITY.

8 27 Any judge of the supreme, district or municipal court,  
8 28 including a district associate judge, or a judge of the court  
8 29 of appeals, who shall have served as a judge of one or more of  
8 30 such courts for a period of ~~six~~ four years in the aggregate  
8 31 and who believes the judge has become permanently  
8 32 incapacitated, physically or mentally, to perform the duties  
8 33 of the judge's office may personally or by the judge's next  
8 34 friend or guardian file with the court administrator a written  
8 35 application for retirement. The application shall be filed in  
9 1 duplicate and accompanied by an affidavit as to the duration  
9 2 and particulars of the judge's service and the nature of the  
9 3 judge's incapacity. The court administrator shall forthwith  
9 4 transmit one copy of the application and affidavit to the  
9 5 chief justice who shall request the attorney general in  
9 6 writing to cause an investigation to be made relative to the  
9 7 claimed incapacity and report back the results thereof in  
9 8 writing. If the chief justice finds from the report of the  
9 9 attorney general that the applicant is permanently  
9 10 incapacitated, physically or mentally, to perform the duties  
9 11 of the applicant's office the chief justice shall by  
9 12 endorsement thereon declare the applicant retired, and the  
9 13 office vacant, and shall file the report in the office of the  
9 14 court administrator, and a copy in the office of the secretary  
9 15 of state. From the date of such filing the applicant shall be  
9 16 deemed retired from the applicant's office and entitled to the



9 17 benefits of this article to the same extent as if the  
9 18 applicant had retired under the provisions of section  
9 19 602.9106.  
9 20 Sec. 13. Section 602.9115A, unnumbered paragraphs 1 and 3,  
9 21 Code 2005, are amended to read as follows:  
9 22 In lieu of the annuities and refunds provided for judges  
9 23 and judges' survivors under sections 602.9107, ~~602.9107A,~~  
9 24 602.9108, 602.9115, 602.9204, 602.9208, and 602.9209, judges  
9 25 may elect to receive an optional retirement annuity during the  
9 26 judge's lifetime and have the optional retirement annuity, or  
9 27 a designated fraction of the optional retirement annuity,  
9 28 continued and paid to the judge's survivor after the judge's  
9 29 death and during the lifetime of the survivor.  
9 30 The optional retirement annuity shall be the actuarial  
9 31 equivalent of the amounts of the annuities payable to judges  
9 32 and survivors under sections 602.9107, ~~602.9107A,~~ 602.9115,  
9 33 602.9204, 602.9208, and 602.9209. The actuarial equivalent  
9 34 shall be based on the mortality and interest assumptions set  
9 35 out in section 602.9107, subsection 3.  
10 1 Sec. 14. Section 602.9116, subsection 1, Code 2005, is  
10 2 amended to read as follows:  
10 3 1. The court administrator shall cause an actuarial  
10 4 valuation to be made of the assets and liabilities of the  
10 5 judicial retirement fund at least once every four years  
10 6 commencing with the fiscal year beginning July 1, 1981. For  
10 7 each fiscal year in which an actuarial valuation is not  
10 8 conducted, the court administrator shall cause an annual  
10 9 actuarial update to be prepared for the purpose of determining  
10 10 the adequacy of the contribution rates specified in section  
10 11 ~~602.9104, subsection 4.~~ The court administrator shall adopt  
10 12 mortality tables and other necessary factors for use in the  
10 13 actuarial calculations required for the valuation upon the  
10 14 recommendation of the actuary. Following the actuarial  
10 15 valuation or annual actuarial update, the court administrator  
10 16 shall determine the condition of the system and shall report  
10 17 its findings and recommendations to the general assembly.  
10 18 Sec. 15. Section 602.9203, subsection 2, paragraph b, Code  
10 19 2005, is amended to read as follows:  
10 20 b. Meets the minimum requirements for entitlement to an  
10 21 annuity as specified in section 602.9106. However, a judge  
10 22 who elects to retire prior to attaining the age of sixty-five  
10 23 and who has not had ~~twenty-five~~ twenty years of consecutive  
10 24 service, may serve as a senior judge, but shall not be paid an  
10 25 annuity pursuant to section 602.9204 until attaining age  
10 26 sixty-five.  
10 27 Sec. 16. Section 602.9204, subsection 1, Code 2005, is  
10 28 amended to read as follows:  
10 29 1. A judge who retires on or after July 1, 1994, and who  
10 30 is appointed a senior judge under section 602.9203 shall be  
10 31 paid a salary as determined by the general assembly. A senior  
10 32 judge or retired senior judge shall be paid an annuity under  
10 33 the judicial retirement system in the manner provided in  
10 34 section 602.9109, but computed under this section in lieu of  
10 35 section 602.9107, as follows: The annuity paid to a senior  
11 1 judge or retired senior judge shall be an amount equal to  
11 2 ~~three percent the applicable percentage multiplier~~ of the  
11 3 basic senior judge salary, multiplied by the judge's years of  
11 4 service prior to retirement as a judge of one or more of the  
11 5 courts included under this article, for which contributions  
11 6 were made to the system, except the annuity of the senior  
11 7 judge or retired senior judge shall not exceed an amount equal  
11 8 to the applicable specified percentage of the basic senior  
11 9 judge salary used in calculating the annuity. However,  
11 10 following the twelve-month period during which the senior  
11 11 judge or retired senior judge attains seventy-eight years of  
11 12 age, the annuity paid to the person shall be an amount equal  
11 13 to ~~three percent the applicable percentage multiplier~~ of the  
11 14 basic senior judge salary cap, multiplied by the judge's years  
11 15 of service prior to retirement as a judge of one or more of  
11 16 the courts included under this article, for which  
11 17 contributions were made to the system, except that the annuity  
11 18 shall not exceed an amount equal to the applicable specified  
11 19 percentage of the basic senior judge salary cap. A senior  
11 20 judge or retired senior judge shall not receive benefits  
11 21 calculated using a basic senior judge salary established after  
11 22 the twelve-month period in which the senior judge or retired  
11 23 senior judge attains seventy-eight years of age. The state  
11 24 shall provide, regardless of age, to an active senior judge or  
11 25 a senior judge with six years of service as a senior judge and  
11 26 to the judge's spouse, and pay for medical insurance until the  
11 27 judge attains the age of seventy-eight years.

11 28       Sec. 17. Section 602.9204, subsection 2, Code 2005, is  
11 29 amended by adding the following new paragraph:  
11 30       NEW PARAGRAPH.   oa. "Applicable percentage multiplier"  
11 31 means as follows:  
11 32       (1) For a senior judge or retired senior judge who retired  
11 33 as a judge and received an annuity prior to July 1, 2005,  
11 34 three percent.  
11 35       (2) For a senior judge or a retired senior judge who  
12   1 retired as a judge and received an annuity on or after July 1,  
12   2 2005, three and one-fourth percent.  
12   3       Sec. 18. Section 602.9107A, Code 2005, is repealed.  
12   4 HF 729  
12   5 ec:rj/es/25